

Cek Plagiasi Agnes Determinants of Small Business Competitiveness in Indonesia: Studies in Centre of Tempeh Industry in Malang City *by Agnes Pudjiastuti*

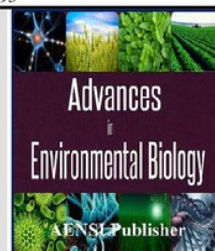
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Determinants of Small Business Competitiveness in Indonesia: Studies in Centre of Tempeh Industry in Malang City

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ABSTRACT

Small businesses in Indonesia are facing increasingly tight competition from year to year. Quantities of the businesses are growing rapidly, and the global trade is the factors contributing to the increased competition. In the future, only the small businesses that have competitiveness can stay alive. The contribution of small businesses to economic growth was also relatively large, include in Malang City. This study was aimed to analyze internal factors and external factors that determined the small businesses competitiveness of tempeh in Malang City. Survey methods used to collect primary data. The data was collected from 30 small business owners, who manufactures of tempeh, in area Malang City that is called Sanan, which is an industry center of tempeh. The research instrument was a questionnaire that contains competitiveness variable, and eleven variables that were predicted to determine the competitiveness. Data was edited in the field, and then it was compiled, tabulated and analyzed using multiple linear regression. This regression model was appropriate because of the adjusted R-square was 0.916. The analysis results showed that the marketing, production, finance, new entrants, buyer and supplier had a significant effect on the competitiveness of small businesses which manufactured of tempeh (sig. < 0.05). Marketing and buyers was the dominant factor determining the competitiveness of tempeh small businesses. This dominant factor was indicated by the highest beta coefficients standardized, respectively 0.581 and 0.263. Efforts to improve competitiveness of tempeh small businesses in Malang City required the understanding of the owners about: market structure of goods and the importance of building partnerships with raw material suppliers and other economic actors in the marketing of the product. The government had been facilitated the establishment of tempeh industrial centers, but they still require government support to establish a pattern suitable partnerships.

KEYWORDS: internal factors, eksternal factors, soybean, agricultural commodities

INTRODUCTION

Competitiveness has become a major focus in the context of world trade which will determine the existence of a business. [13] stated that competitiveness are the fundamental factors that determine the sustainability of a nation. In order to a company, [1] stated that a company have a competitive advantage if it can produce goods and services with higher quality and lower cost than the domestic and international competitors. Competitiveness can also be interpreted as the profit performance of a company in the long term and a company's ability to pay for labor and produce a great reception to the owner of the company. Thus, a competitiveness can be measured by the relative price of costs and revenues, part of the market (market share), and the rate of profit in a given time period. For exporting companies, market share can be measured on a global level. The product quality can be assessed and compared with competitors' products. [10] found that the profit

margin and growth were an appropriate measurement to measure the competitiveness of small businesses of food and beverage in Greek. There are only three food and beverage industry which has an average profitability and growth higher than average of the existing industry.

There are financial and nonfinancial criteria as a basis of competitive advantage. Some dimensions of competitiveness be identified by [2] were cost ("make it cheap"), quality ("make it good"), delivery speed ("make it fast"), accuracy of delivery ("deliver when promised"), volume flexibility ("change its volume"), power of innovation ("change it"). [15] in global economic forum mentioned that the twelfth pillars of competitiveness, namely 1) institutions, 2) infrastructures, 3) macroeconomics environment, 4) health and primary education, 5) higher education and training, 6) goods market efficiency, 7) labor market efficiency, 8) financial market development, 9) technological readiness, 10) market size, 11) business sophistication, dan 12) innovation.

[14] in their study using competitiveness as the environmental factors that influence the adoption of information technology in small business. As a result, competitiveness does not significantly influence the adoption of information technology. According to [4], the development of small businesses in Yogyakarta which are in the transformation acceleration phase of MSMEs, from the formation phase to stabilization phase should involve all stakeholders (business associations, universities, and relevant government agencies).

Small businesses in Indonesia are facing increasingly tight competition from year to year. Quantities of the businesses are growing rapidly, and the global trade is the factors contributing to the increased competition. The contribution of small businesses to economic growth was also relatively large. In 2012, small businesses in Indonesia, was recorded at 56.5 million [16]. In 2003, small businesses (the businesses that employ less than 50 workers) in Europe and Australia had been able to become a backbone and contribute significantly to the national economy [8]. Small business development in East Java last few years also can be quite rapid. Department of Cooperatives and Micro, Small and Medium Enterprises (MSMEs) of East Java Province in 2013 noted the existence of 10611 business actor, in which 9414 units (89%) of them were small businesses. A great quantity of small business was located in various regions in East Java, also in Malang City.

Small businesses of food and beverage like tempeh are exist in large numbers in Malang City, facing more competition than other small businesses because it uses raw materials of agricultural commodities i.e. soybeans. The availability soybeans as agricultural commodities depends on many factors, one of them is climate, a factor that is difficult to control by humans. Another important factor is the limited agricultural land because conversion of agricultural land, agricultural land use competition for soybean with other crops, causing the decline in soybean production. The difference between supply and demand has resulted in soybeans prices as the domestic soybean tempeh main raw materials more expensive. A situation where the domestic soybeans production can't meet domestic demand in the short run, generally can be addressed through policy soybean imports. In a relatively stable economic conditions, in which the exchange rate of rupiah strengthened to US dollar, the price of imported soybeans are relatively inexpensive will be profitable to employers of tempeh. However, macro-economic conditions are less conducive as the rising exchange rate of rupiah to US dollar, will increase the price of imported soybean.

Agricultural products have the characteristics of perishable and large volume that requires a relatively high transportation costs in moving goods from producers (farmers) to consumers (small business owners). In order to soybean raw material available in the right time and the right quantity, it should tempeh entrepreneurs have cooperated with suppliers of soybeans. This is rarely done by small businesses because it is associated with a relatively small-scale enterprises and the scarcity of funds owned. Business experience, age, level of education, the development of products which do employers also will determine the sustainability of their operations. Various factors were thought to determine the competitiveness of small businesses, generally classified into internal factors and external factors.

Based on the former description, small businesses farm-based manufacture are facing problems that are more complex than others. In Indonesian sector classifications, the food and beverage industry included in this category. The complexity of these problems required the intervention of various parties whom the government due to intense competition were faced by small businesses. The role of government in developing small businesses and solve all their problems must be taken seriously and have a broad impact. Policy scheme which supports the existence of small businesses and supply of various facilities by the government is expected to improve competitiveness. Relationship between the government, small entrepreneurs and others is essential to the creation of high competitiveness.

Efforts to improve competitiveness must be based on accurate information about the factors that determine competitiveness, commonly it is classified into internal factors and external factors. Internal factors include research and development, marketing, production, human resources, and finance. External factors consist of new entrants, existing competitors, buyers, suppliers, substitute products, macroeconomic factors.

The objective of this research were to analyze internal factors and external factors that influence the competitiveness of tempeh small businesses. Other research's objective were to determine the dominant factors that affect the competitiveness of small businesses.

The results of this study contribute to the development and enrichment of knowledge about the competitiveness of small businesses that use raw materials of agricultural commodities. Small businesses in the research location may also benefit from the research results, in particular concerning the factors that should be their focus, to maintain or improve competitiveness. Identification the determinant of competitiveness is expected to help small business owners of tempeh in Malang City to know what to do so that their businesses can still alive. The Government may consider the findings of this research to create more effective policy so that small businesses were facilitated by the government, can survive in the long term. This is important given the ability of small businesses to overcome the economic crisis.

MATERIALS AND METHODS

This study used primary and secondary data, and survey method. Small business criteria used in this study followed [17]. According to this constitution, small business are: 1) have maximum net worth IDR 200 million, 2) have maximum annual sales turnover of IDR 1 billion, 3) belonging to Indonesian citizens, 4) independent, not subsidiaries or branches of companies owned controlled or affiliated directly or indirectly with a medium or large enterprise, and 5) take a form of individual businesses, a business entity that is incorporated or not, including cooperatives.

Population in this study were all of small business owners who produce tempeh in Malang City. The population was recorded at 153 business owners. Samples were designated of 30 business owners. Primary data was collected using a questionnaire as an instrument to interviewed respondents which was selected as a sample. Secondary data about quantities and characteristics of population obtained from the Department of Industry and Trade of Malang City.

Primary data had been collected, edited first in the field and then tabulated and analyzed using multiple linear regression. Furthermore, the analysis results will be presented in tables and described. According to [3] and [7], regression can be used to examine relationships between several variables. Model of multiple linear regression was designated after testing the items variable constituent internal factors (research and development, marketing, production, human resources, finance) and external factors (new entrants, existing competitors, buyers, suppliers, substitute products, macroeconomic factors). Those variables were measured using Likert's scale (1-5). Multiple regression analysis to examine the effect of internal and external factors carried out using mathematical model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} + b_{11}X_{11} + e$$

where:

Y = competitiveness,

X₁ = research and development,

X₂ = marketing,

X₃ = production,

X₄ = human resources,

X₅ = finance,

X₆ = new entrants,

X₇ = existing competitors,

X₈ = buyers,

X₉ = suppliers,

X₁₀ = substitute products,

X₁₁ = macroeconomic factors,

e = disturbance term.

Statistical hypothesis:

H₀: b₁ = b₂ = ... = b₁₁ = 0, means that internal factors (X₁, ..., X₅) and external factors (X₆, ..., X₁₁) does not determine the competitiveness of small businesses

H_a: b₁ ≠ b₂ ≠ ... ≠ b₁₁ ≠ 0, means that internal factors (X₁, ..., X₅) and external factors (X₆, ..., X₁₁) determine the competitiveness of small businesses

RESULTS AND DISCUSSION

Multiple linear regression model used in this study be checked in advance whether it violates common assumptions, i.e. whether there are multicollinearity, heteroscedasticity and autocorrelation. If it proves that the regression model has fulfilled these assumptions, then it can be used to analyze the influence of internal and external factors on the competitiveness of tempeh small businesses in Malang City. Test the classical assumption regression and analysis the determinant of variables that were classified into internal factors and external factors on the competitiveness of small businesses would be described as follows.

1. Testing Assumptions Classical Linear Regression Model:

Regression models were designed to test the influence of internal and external factors on the competitiveness of tempeh small businesses in Malang City would be checked in advance whether it meets the classical assumption of normality, not multicollinearity, heteroscedasticity and autocorrelation. Normality of data is meant to spread the data normally. Multicollinearity is a linear relationship between the independent variables in a multiple linear regression model [3]. The normality of the data can be seen in Figure 1 in which plot the data were located close the diagonal line, it means that the data is spread out normally.

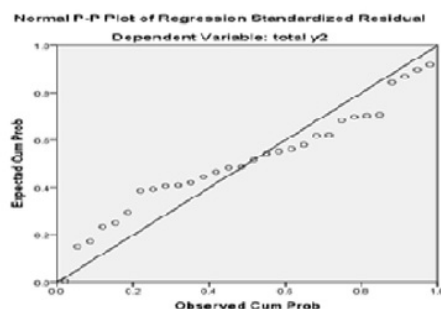


Fig. 1: Normal P-P Plot of Regression Standardized Residual

Whether or not multicollinearity in the regression model indicated by the variance inflation factor (VIF). Multicollinearity not exist in multiple linear regression model because $VIF < 10$ (Table 2). Heteroscedasticity is the variance of the error regression model that is not constant. Heteroscedasticity not exist in this regression model, indicated informally through the plot residual error with the variable y is evenly distributed (Figure 2). Autocorrelation is the correlation between one of error variable with another error variables. Autocorrelation did not occur between one variable error with another error variable detected by the Durbin-Watson statistic value of 2.0 (no auto correlation criterion is $-2 \leq d \leq 2$). Goodness of fit model regression was indicated by R square of 0.92, means that internal factors (research and development, marketing, production, human resources and finance) and external factors (new entrants, existing competitors, buyers, suppliers, product substitutes and macroeconomic factors) explains variations in competitiveness for 92%, remaining 18% is explained by other variables outside the model. Thus, it is said that goodness of fit this regression model.

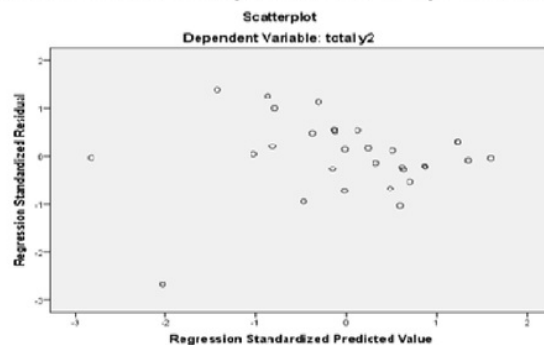


Fig. 2: Scatterplot Regression Standardized Residual and Competitiveness

2. Effect of Internal and External Factors to Small Business Competitiveness:

Simultaneously, internal factors and external factors had a significant effect on the competitiveness of small businesses indicated by the F test analysis results, ie $F_{count} 29.831$ with sig 0.000 (Table 1). It is mean, there are factors internal and external factors were partially significant effect on the competitiveness of tempeh small businesses in Malang City.

The relationship between internal factors and external factors with the competitiveness of small businesses of tempeh in Malang City based on data in Table 2 could be written mathematically:

$$Y = 0.611 + 0.32X_1 + 0.927X_2^{**} + 0.484X_3^{**} - 0.24X_4 + 0.614X_5^{**} + 0.18X_6^{*} + 0.087X_7 + 0.308X_8^{**} + 0.268X_9^{*} - 0.104X_{10} - 0.85X_{11}$$

where: *: significant at the $\alpha = 0.10$ **: significant at the $\alpha = 0.05$

Table 1: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	429.159	11	39.014	29.831	.000 ^b
Residual	23.541	18	1.308		
Total	452.700	29			
R = .974					
R Square = .948					
Adjusted R Square = .916					
Std. Error of the Estimate = 1.144					
Durbin-Watson = 2.015					

Source : analysis results, 2016

a. Dependent Variable: Competitiveness

b. Predictors: Constant, X₁, X₂, X₃, X₄, X₅, X₆, X₇, X₈, X₉, X₁₀, X₁₁

Table 2: The Coefficient of Multiple Linear Regression

Predictors	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	.611	2.318		.264	.795		
Research and development (X ₁)	.320	.208	.126	1.538	.141	.432	2.316
Marketing (X ₂)	.927	.180	.581	5.147	.000	.227	4.405
Production (X ₃)	.484	.145	.288	3.332	.004	.388	2.577
Human Resources (X ₄)	-.240	.153	-.112	-1.574	.133	.569	1.757
Financial (X ₅)	.614	.223	.240	2.753	.013	.381	2.627
New Entrants (X ₆)	.180	.092	.144	1.951	.067	.528	1.893
Rivalry (X ₇)	.087	.102	.092	.854	.404	.251	3.986
Buyers (X ₈)	.308	.125	.263	2.467	.024	.253	3.948
Suppliers (X ₉)	.268	.132	.151	2.021	.058	.520	1.923
Product Substitution (X ₁₀)	-.104	.141	-.054	-.742	.467	.551	1.816
Macroeconomics Factors (X ₁₁)	-.085	.111	-.057	-.764	.455	.514	1.946

Source : analysis results, 2016

Internal factors and external factors which had a significant effect on the competitiveness of small businesses were analyzed by t-test and described as follows.

a) *Effect of Internal Factors to Small Business Competitiveness:*

Internal factors consist of five variables, namely research and development (X₁), marketing (X₂), production (X₃), human resources (X₄) and financial (X₅). There were three variables that significantly influence the competitiveness of small businesses ie marketing (X₂), production (X₃) and financial (X₅) (Table 2). The last three variables influenced the competitiveness in the same degree and direction. Marketing, production and finance had highly significant effect (sig. < 0.05) on the competitiveness of small businesses. Regression coefficient of marketing variable was 0.927. It means, if the better aspects related to marketing (sales price, cost of production, after-sales service and promotion), the competitiveness of small businesses of tempeh would increase. Regression coefficient of production variable was 0.484. That is, if the aspects of production (production capacity, availability of raw materials and facilities) more appropriate with the conditions prescribed, the competitiveness of small businesses of tempeh would increase. Regression coefficient of financial variable was 0.614. It means, if the financial aspect (cash flow, investments, operating costs, financial recording system, raw materials and goods) of tempeh small business was getting better, then it would increase its competitiveness.

These findings are particularly relevant to the indicators of each variable. Competitiveness variable of small businesses in this study was measured by the perception of entrepreneurs about six items: 1) cost of production in the small business was lower than its peers, 2) the small business always produced a high quality products according to customer preferences, 3) the small business always produced goods with consistent quality, 4) the small business always produced goods in certain time, 5) the small business was constantly developing new products in relatively short time, and 6) the small business was able to fulfilled customer demand even though its volume (quantity) fluctuation. Marketing variable was measured by perception of entrepreneurs on three items: 1) determining the selling price based on production costs, 2) after-sales service provided to consumers had been satisfy for them, and 3) product promotion was already done with the proper method with considerable frequency. Production variable was measured by the perception of entrepreneurs on three items: 1) The production capacity has a maximum appropriate with market demand, 2) the raw material was always available in time, quantity and types, appropriate to the demand, and 3) facilities (equipment and place) were owned by the small business have been used efficiently and effectively in the production process. Financial variable was measured by perception of entrepreneurs on three items: 1) cash flow, rates of return, accounts payable, accounts receivable have been taken into account properly, 2) spending on investment and operational costs a very

substantial, and 3) the small business had a common recording system about cash flow, goods and raw materials.

b) Effect of External Factors to Small Business Competitiveness:

External factors consist of new entrants (X_6), existing competitors (X_7), buyers (X_8), suppliers (X_9), substitute products (X_{10}), and macro-economic factors (X_{11}). There are three variables that had significant effect to the competitiveness: new entrants (X_6), buyers (X_8) and suppliers (X_9), but in different degrees and directions. Variable of buyers had highly significant effect ($\alpha = 0.05$) on the competitiveness of small businesses, while variable new entrants and suppliers had significant effect ($\alpha = 0.10$) (Table 2). Regression coefficient of variable new entrants was 0.18. It means, if the aspects related to new entrants (ownership capital, brand identity, product characteristics, distribution channels and government policy) would be better, then competitiveness of small businesses would be higher. Regression coefficient of buyer variable was 0.308. It means, if the aspects related to the buyer (the quantity and location of the buyer, the availability of information, purchase volume, purchase price) would be better, then the competitiveness of small businesses would be higher. Regression coefficient of supplier variable was 0.268. Therefore, if the aspects related to suppliers (small business relationships with suppliers, raw material prices, and substitution of raw materials) would be better, then competitiveness of small businesses would be higher.

These findings are particularly relevant to the indicators of each variable. Variable of new entrant in this study was measured by the perception of entrepreneurs on four items: 1) capital requirements for running a business like this is relatively large, 2) new entrants should have a brand identity and characteristics of different products compared with the existing business, 3) new similar small business operate should have a clear distribution channel to consumers or exporters, and 4) the existing government policies favorable to the opening of new small businesses. Variable of buyer was measured by the perception of entrepreneurs on four items: 1) buyers of the small business's products was concentrated in certain groups or places in large numbers, 2) source of information about the purchase of products already available and controlled by the small business, 3) purchases volume of the small business's products relatively large, and 4) price or total purchases of the small business's products was large. Variable of supplier was measured by the perception of entrepreneurs on three items: 1) the small business had established good relationships with suppliers of raw materials, 2) the purchase cost of raw materials was high, and 3) the small business had a raw material substitute in the production process, if the main raw material was not available.

3. Dominant Factors Determining Competitiveness of Small Businesses:

Internal factors were dominant influence on the competitiveness of small businesses was marketing (X_2). It was indicated by standardized beta coefficient of marketing variable greatest than the other variables. Beta coefficient of marketing variable about 0.581. Efforts to improve the competitiveness of small business owner can do to emphasis on: 1) determining the selling price based on production costs, 2) satisfactory after-sales services for consumers, and 3) promotion of the proper manner and frequently.

External factors were dominant influence on the competitiveness of small businesses was buyer (X_8). It was indicated by standardized coefficient beta of buyer variable greatest than the other variables. Beta coefficients of buyer variable about 0.263. Competitiveness in this case would be improved if: 1) the buyer of the small business's products was concentrated in a group or a specific place with many buyers, 2) source of information about purchasing products already available and controlled by the small business, 3) volume of purchases of this small business's products was quite a lot, and 4) price or total purchases of the small business's products was relatively high.

Marketing and buyers are two important elements other than producers in moving goods from producers to consumers. Especially for tempeh in Malang, producers concentrated in an area known as the center of tempeh production, which is called Sanan Urban Village, District of Blimbing. This business was generally done for generation to generation. Business locations which are concentrated, making it easier for employers to coordinate with each other, begin from procurement of raw materials and auxiliary materials, production processes through to marketing their products. Venture capital was sourced from own capital and borrowed capital. Capital loans was obtained from banks, on condition handing collateral. The loans were paid back every month in a fixed sum of money. Only some of tempeh producers can rely on business development through capital loans because they do not know the requirements and procedures for lending, no collateral and the business scale was still very small. The main problem that was faced manufacturers was the price of raw materials (soybean) which is continues to rise, while output prices should be adjusted to the purchasing power of consumers. Therefore, marketing of tempeh generally still localized, ie the markets in Malang City, where buyers are concentrated in a large quantities. Only slight tempeh business owners who already have a brand and write it on product packaging as one of promotion. These products are widely preferred by consumers because they are relatively cheap and affordable by various groups consumers. Any number of tempeh produced will be sold so that the total purchase of this product can be said to be relatively high.

Marketing and buyers related to the four attributes of competitiveness according to [13], it leads directly to

the related and supporting industries and demand conditions. The competitiveness of tempeh small businesses will be enhanced when employers consider the structure of soybean market in the region and forge partnerships in the supply of raw materials or product marketing. According to [12] the food and beverage industry has a unique role in expanding economic opportunity because it is universal to human life and health. The industry operates at multiple level of society: family grow crops for their own consumption, community trade fresh produce and home-processed goods, local companies transform domestic crops for local markets, and international corporations purchase commodities globally to deliver products across geographies.

Other findings research would be support this result described as follows. [10] reported that profit margin and growth were an appropriate measurement to measure the competitiveness of small businesses of food and beverage in Greek. Only three food and beverage industry which has an average profitability and growth higher than average of the existing industry. [14] in their study using competitiveness as the environmental factors that influence the adoption of information technology in small business. As a result, competitiveness does not significantly influence the adoption of information technology. [5] about the improvement of national competitiveness in order to face the economic community of the Association of Southeast Asian Nations (MEA) shows the importance of increasing competitiveness in various sectors, including through the development strategy of small and medium industries.

[9] revealed that the area faced in the processed food industry is dynamically changing. The industrial structure is also changing and affect the level of competition is very high, either domestic or international industry as a result of globalization. In situations where competition is intense and rapid environmental change, only business carried on efficient, flexible, innovative, and responsive to the changes that will remain alive. Therefore, companies should focus on the source of competitiveness and is able to maximize its competitiveness. All of processed food industry in Indonesia, not entirely have competitive power, due to limited resources. The classical problems were faced by the industry among others the limited of capital, the level of technology, and the difficulty of access to the market is source of competitiveness of the processed food industry. However, the processed food industry must improve its competitiveness in order to survive and thrive. To improve its competitiveness, the industry had to identify the sources of competitiveness that belongs. By understanding the sources of competitiveness existing, the industry will be able to develop strategies to improve their competitiveness. [11] also stated that the competitiveness of small enterprises is largely determined by the level of competition and technological advancement. [6] that examined how food companies thrive in the face of this increased competition found that the more successful firms are more internally focused (interfunctional coordination and innovativeness) than externally focused (competitor and customer orientation).

Improving competitiveness means how to produce quality products with low price and available on time. In the context of small businesses, increasing competitiveness means includes problems faced by small businesses. [16] mentions that a number of barriers in developing small businesses were: a) the lack of funds to finance its operations and capital investment, b) the lack of highly skilled human resources, c) the lack of access to advanced technologies, d) the lack of up-to-date and comprehensive information, e) difficulty in procuring raw materials and others input, f) difficulties in marketing and distribution, high transport costs, g) bureaucratic procedures are complicated and costly, especially in obtaining licenses, h) policies and regulations that cause market distortion.

Conclusion:

The competitiveness of tempeh small businesses in Malang City determined by internal factors and external factors. Internal factors that significantly influence competitiveness was the marketing, production and finance. External factors that significantly influence competitiveness are new entrants, buyer and supplier. Internal factors were dominant influence on the competitiveness of the businesses was marketing. The dominant external factor affecting the competitiveness of the businesses was buyer.

Efforts to improve the competitiveness of tempeh small businesses in Malang City requires understanding small business owners about the structure of the market for goods which was produced, and need to build partnerships with raw material suppliers and other economic actors in the marketing of the product. Government has facilitated the establishment of centers of tempeh. **It** still needed support in the form of partnership according to the conditions of small businesses, today and **in the future**.

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